

cent, 2 percent, 4 percent seem to be very small. Let us not forget, however, that small percentages employmentwise socially are very significant.

A 4-percent unemployment is all right, quite high, 5 percent we already consider really a serious situation; 6 percent begins to be nearly an emergency situation. Now as you can see in the appendix, the figures which correspond to this chart, in California, according to the basis of this assumption, you might have an increase in unemployment of 3.7 percent, which is definitely a problem.

Chairman PROXMIRE. When you say "an increase of 3.7 percent," you mean if it were, say, 3 percent now, it might go to 6.7 percent?

Mr. LEONTIEF. Right; this is what it means. So a small percentage of figures from the point of significance are really very important here. With this I would like to conclude my statement, and I would be glad to elaborate on any points which you would care to ask me about.

(The prepared statement, appendix, and charts attached, referred to, follow:)

PREPARED STATEMENT OF DR. WASSILY LEONTIEF

Mr. Chairman, in inviting me to testify on the alternative uses to which this country might be capable and willing to put the resources that could be set free by de-escalation of military action in Vietnam, you raised a straightforward question. I will endeavor to give you as straightforward an answer as a small group of University researchers, with no privileged access to official information, can produce in two-week's time.

I

The rising costs of the steadily expanding war are usually described in terms of so many billions of dollars. They can more meaningfully be expressed in millions of man-years, millions of square-yards of plant space filled with a kinds of industrial equipments, millions of barrels of oil pumped from the earth. In short, the real costs of war are measured in terms of human and natural resources and stocks of productive capital accumulated over a period of many years, absorbed in production, transportation, maintenance, and replacement of weapons, equipments, and supplies of all kinds now shipped in a steady stream to distant battlefields. To these we have to add the hundreds of thousands of man-years of military and civilian personnel, directly engaged in military operations and their direct support.

This translation of dollar cost into real terms has been performed by us. But such computations still do not answer the \$19 billions' question. I assume that you want to know what this country gives up in terms of private consumption and investment, in terms of schools and research laboratories, of hospitals and highways, of unpolluted rivers and clear air, so long as it maintains the present level of military operations. The computations, the result of which are summarized on the charts that are displaced here, are based on the use of the well-known method of cost-benefit analysis—now widely applied to the evaluation of all kinds of governmental operations—for assessment of the cost of the Vietnamese war. Whether the hospitals and roads and private consumption and investment should be considered as cost and the result of military operations as benefit, or vice-versa, is not for me to judge. All I can say is that in a full or nearly full-employment economy like ours, if you have the one, you have to forego the other.

II

A full technical description of the methods of so-called input-output analysis that enabled us to give a rough and ready—but nevertheless reasonably concrete—